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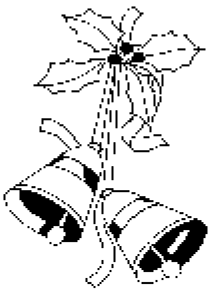

HAPPY HOLIDAYS

from the staff of

Kentucky Agricultural Statistics Service

FEATURING: ▸ **Exports** ▸ **County Rankings** ▸ **Livestock Outlook** ▸ **Dairy Products**

STRONG PRICES PUSH FISCAL 2004 AGRICULTURAL EXPORTS NEAR RECORD HIGH

Near-record fiscal 2004 U.S. agricultural exports of $59.5 billion are forecast 6 percent above exports in 2003. Much of the growth in exports is due to higher prices. Sharply higher soybean prices raise soybean export value significantly, despite pulling soybean export volume down sharply, compared with both 2003 and August forecasts. Soybean price gains reflect a smaller U.S. crop and continued strong crush demand from China. Higher prices and volume also boost the cotton and beef exports. Available supplies in the United States and a reduced crop in China raise cotton exports, while tightening global supplies boost cotton and beef prices. Prospects for horticultural products also have improved. Bulk commodity export volume of 111.6 million tons, is 1 million tons less than in August. Volume of wheat, corn, and cotton in 2004 increases both quarter-to-quarter and year-to-year, partially offsetting the decline in soybean volume. The U.S. agricultural import forecast is increased 6 percent to $48.5 billion. But, the rate of import growth in 2004 is expected to be only about half that of 2003. Meats, fruits and nuts, vegetables, and wine, boost imports. Greater gains in exports than in imports lift the expected export surplus above both 2003 and the August forecast.

U.S. Agricultural Trade, Fiscal Years, 1999 - 2004 - Year ending September 30

Item	1999	2000	2001	2002	2003	Fiscal 2004 Aug.	Fiscal 2004 Nov.
				Billion dollars			
Exports	49.1	50.7	52.7	53.3	56.2	57.0	59.5
Imports	37.3	38.9	39.0	41.0	45.7	47.5	48.5
Balance	11.8	11.9	13.7	12.3	10.5	9.5	11.0

This outlook reflects commodity forecasts in the Nov. 12, 2003, World Agricultural Supply and Demand Estimates report.

COUNTY RANKINGS: KENTUCKY'S LEADING AGRICULTURAL COUNTIES

Item	1	2	3	4	5	6	7	8	9	10
2002 Farm Cash Receipts:										
Total	Fayette	Woodford	Graves	Jessamine	Bourbon	Scott	Christian	McLean	Todd	Webster
Crops	Christian	Logan	Daviess	Graves	Todd	Henderson	Union	Calloway	Simpson	McLean
Livestock	Fayette	Woodford	Jessamine	Bourbon	Graves	Scott	McLean	Webster	Barren	Hopkins
2002 Crop Production:										
Corn for Grain	Christian	Union	Logan	Graves	Daviess	Henderson	Todd	Simpson	Hickman	McLean
Soybeans	Henderson	Daviess	Christian	Logan	Graves	Union	Todd	Fulton	Hickman	Calloway
Winter Wheat	Christian	Logan	Todd	Simpson	Calloway	Graves	Warren	Hickman	Fulton	Trigg
Burley Tobacco	Barren	Shelby	Fayette	Madison	Hart	Scott	Bourbon	Henry	Harrison	Woodford
Dark-Air Tobacco	Logan	Daviess	Graves	Simpson	Todd	McLean	Henderson	Webster	Hopkins	Calloway
Dark-Fire Tobacco	Calloway	Graves	Christian	Todd	Trigg	Logan	Muhlenberg	Caldwell	Carlisle	Marshall
Alfalfa Hay	Fleming	Barren	Hart	Lincoln	Shelby	Mason	Warren	Hardin	Harrison	Nelson
Other Hay	Allen	Pulaski	Barren	Madison	Warren	Nelson	Casey	Hart	Marion	Hardin
Sorghum	Henderson	Webster	Hopkins	McLean	Union	Daviess	Logan	-	-	-
Barley	Logan	Simpson	Todd	Allen	-	-	-	-	-	-
Livestock, Dairy & Poultry:										
Cattle & Calves,	Barren	Warren	Pulaski	Madison	Monroe	Lincoln	Bourbon	Clark	Adair	Hart
Beef Cows,	Barren	Warren	Pulaski	Madison	Bourbon	Monroe	Hardin	Breckinridge	Lincoln	Hart
Milk Cows,	Barren	Adair	Fleming	Metcalfe	Nelson	Hart	Lincoln	Marion	Warren	Pulaski
Milk Prod., 2002	Barren	Adair	Fleming	Metcalfe	Lincoln	Nelson	Marion	Warren	Todd	Logan
1997 Farms	Barren	Pulaski	Warren	Hardin	Madison	Grayson	Shelby	Breckinridge	Graves	Hart
1997 Cropland	Christian	Daviess	Logan	Graves	Barren	Union	Warren	Henderson	Hardin	Breckinridge

1/Breckinridge and Lincoln tied for 8th. 2/Lincoln and Marion tied for 7th.

LIVESTOCK SITUATION AND OUTLOOK

Cattle

Domestic and export demand for beef, particularly higher quality beef, has remained strong since 2000. Beef prices have been on a record setting path since mid-winter due to reduced cattle supplies that were further curtailed by poor winter feeding conditions. The confirmation of BSE (Bovine Spongiform Encephalopathy) in a Canadian cow on May 20 resulted in a ban on imports of beef and live cattle from Canada and a further tightening of U.S. fed beef supplies. Consequently, supplies of higher quality Choice beef have become very tight resulting in record cattle, boxed beef (wholesale), and retail prices as the limited supply is rationed in the market.

Cow and heifer inventories continue to decline in spite of record cattle prices. The cattle inventory at the beginning of 2003 had declined to 96.1 million head. Cow and heifer slaughter has remained large through October 2003 due to continued poor forage conditions in many areas and the high opportunity cost of retaining heifers. Cow and heifer slaughter will have to decline fairly sharply before the industry can begin to stabilize inventories, much less shift toward herd expansion. The earliest a shift toward herd expansion can begin is with the 2004 breeding season if forage supplies improve, cow slaughter declines, and larger numbers of heifers are bred. Even if this set of events occurs, beef production will not begin to expand until at least 2006 and even then from a smaller base of production, which has eroded since 1996. Additional female slaughter has supported beef supplies in recent years, but at the cost of future production.

Supplies will continue to tighten until U.S. herds expand to increase beef supplies. Additional beef and/or slaughter/feeder cattle imports from Canada are not likely to fully offset the deficit. Any movement toward retaining heifers being weaned this fall for possible breeding next spring and summer would tighten supplies even further. Although feedlot placements rose sharply this summer, feeder cattle supplies are already down. Feeder cattle supplies outsize feedlots on October 1 were 2.5 percent below a year earlier. This year's calf crop is expected to be 38 million head, the smallest since 1951. Until cow slaughter begins to decline and more heifers are retained, the calf crop will continue to decline. The loss of feeder cattle imports from Canada further tightens the supply situation.

Dairy

Supplies of milk for manufacturing slipped 3 percent during July-September. Milk production was down fractionally, and more milk apparently went into foods other than dairy products. The decline in total milk available and the expansion in production of other cheese were enough to hold down Cheddar cheese production, despite a large diversion from butter and nonfat dry milk.

The economy grew rapidly during July-September, and consumer spending on food and other nondurables rose considerably. Price declines, although large, have not been aggressive, as traders seem unsure about the price level for the rest of the holiday season. Much will depend on the size of late-season orders, as well as further developments in milk production and stocks. Prices may stabilize for a few more weeks but further decreases are expected by winter.

Hogs

Fourth-quarter hog slaughter so far is running ahead of expectations. U.S. packers are expected to slaughter 26.7 million hogs in the fourth quarter of 2003, a number only slightly less than a year earlier. Although the spring 2003 pig crop-which is slaughtered in the fourth quarter-was 4 percent lower than in spring 2002, imported Canadian hogs have likely enabled weekly slaughter numbers to remain above 2 million head since the first week of October. Pork production in the fourth quarter is expected to be 5.3 billion pounds, up slightly from the same period last year, due to higher dressed weights. Looking ahead to 2004, higher soybean meal prices are expected to hold growth in average dressed weights in the first half to less than previously forecast.

Poultry

U.S. broiler exports in the third quarter of 2003 were 1.18 billion pounds, down 2 percent from the same quarter in 2002. This lowers the annual 2003 export estimate to 4.8 billion pounds about even with the previous year. Exports in September were 374 million pounds, up 18 percent from a year earlier. The increase in September exports was the result of higher shipments to Russia, Mexico, and the NIS countries. However, these increases were partially offset by continued lower shipments to Hong Kong.

U.S. broiler production in the third quarter of 2003 was 8.45 billion pounds, 2.4 percent above the same period last year. The growth in production was attributed to a small increase in the number of birds slaughtered (up 0.6 percent) and an increase in their average weights (up 1.5 percent). Higher domestic production. Stronger exports, and lower ending stocks combined to push October 2003 prices higher for most broiler parts.

U.S. DAIRY PRODUCTS, OCTOBER 2003

PRODUCT	October 2002	September 2003 1/	October 2003	Percent of Oct. 2002	Percent of Sept. 2003
		(000) Pounds		Percent	
BUTTER	102,613	73,091	96,990	95	133
CHEESE					
American Types 2/	297,840	290,065	302,593	102	104
Mozzarella	237,294	229,124	233,756	99	102
All Other Types 3/	94,410	119,828	105,879	112	88
Total	732,157	712,108	739,218	101	104
		(000) Gallons		Percent	
FROZEN PRODUCTS					
Ice Cream (Hard)	70,501	71,799	68,666	97	96
Frozen Yogurt (Total)	5,842	5,360	4,840	83	90
MIX FOR FROZEN PRODUCTS					
Ice Cream Mix	41,751	42,328	40,321	97	95
Yogurt Mix	3,345	3,153	2,847	85	90

1/ Revised. 2/ Includes Cheddar, Colby, Monterey, and Jack. 3/ Includes Swiss, cream and all other types. Excludes cottage cheese.

Internet Access: Kentucky Agricultural Statistics Service (KASS) data including this report are available free of charge on our Internet homepage located at **http://www.nass.usda.gov/ky**. Links to the Kentucky Department of Agriculture, the University of Kentucky Agricultural Weather Center and other web sites related to Kentucky Agriculture are also included. National & State reports and data are available on the National Agricultural Statistics Service (NASS) homepage located at **http://www.usda.gov/nass/**